

INTERNAL AUDIT REPORT – 2020/2021

GREAT LUMLEY PARISH COUNCIL

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 sections along with an annual internal audit report, which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls
- 1.3. CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.
- 1.4. From January 2020 the Parish Council took over the running of the Community Centre and made arrangements for the collection of income and to pay its accounts. It is intended that in the future a charity (Great Lumley Venture Community) will run the Community Centre with some funding from the Parish Council, with the Council owning the Community Centre. Therefore, the Charity need to make arrangements to set up independently from the Parish Council.
- 1.5. During the end of the financial year the Clerk left the Council and a new Clerk appointed and is currently In post and queries have been discussed with her although it is appreciated that she was not in post during 2020/21.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1. The Scope of Work covers the key control tests identified in the internal audit part of the A.G.A.R.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
 - Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Accounting records,
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of public rights has been properly carried out.
- 3.3. Any audit findings of this report have been discussed with the current Clerk of the Council and any audit recommendations have been agreed with her.

4. Findings

4.1. Payroll

- 4.1.1 The Parish Council has 1 employee who works fixed hours and is paid along with any expenses.
- 4.1.2 I examined the payments made for 2020/21 and all payments had been correctly made, with deductions for Tax and N.I. made where appropriate.
- 4.1.3 Expenses claimed are recorded on a form along with receipts where necessary. The form is signed by the Clerk and the claim form is approved during approval of the monthly payments list.

4.2. Creditors

- 4.2.1 There is no separation of duties at Great Lumley Parish Council as the Clerk is the only Officer responsible for Finance and Administration. Compensating checks are carried out by the Members.
- 4.2.2 The Clerk has set up a system whereby each payment (invoice) is authorized by himself and two Councilor's and is dated and shows either the cheque number, Direct Debit or BACS payments. This was not always practical during the Pandemic although the Clerk did sign the invoices as confirmation of the invoices being correct. All payments are approved at the monthly Council meetings. During 2020/21 due to Covid, arrangements were put in place where payments were mainly made by Direct Debit or bank transfer.
- 4.2.3 All donations paid had been agreed by the Council prior to payment being made and were properly recorded as Section 137 payments on the Receipts and Payments spreadsheet. The Council has a donations policy which was approved on 8th April 2014, and I understand is still relevant.
- 4.2.4 Although there is no petty cash held by the Council there are payments made to the Clerk for any expenses which appear reasonable and receipts are held for all expenditure and approved during the payments procedure.

4.3. Governance/Risk Management

- 4.3.1 Standing Orders, Financial Regulations and policies along with a Risk Assessment of the Council were approved at the 2nd June 2020 Council meeting. Other policies are considered and approved during the year if required.
- 4.3.2 Following last years audit recommendations all minutes had been signed by the Chair although when bank reconciliations are reported monthly and presented at the next Council meeting, they are only signed by the Clerk.
- 4.3.3 The announcement of the public rights for 2019/20 was confirmed at the 2nd June 2020 Council meeting after the accounts were approved, with the inspection of the accounts available between 2nd June 2020 and 15th July 2020.
- 4.3.4 It was observed that on the agenda it is stated to "note all income and expenditure" this should be to approve instead of note.

4.4. Income collection and Banking arrangements

- 4.4.1 Any income received is recorded on the Receipts and Payments spreadsheet (Cash Book) which records the precept, grants, vat reclaim, bank interest and income from the Community Center.
- 4.4.2 On examining the income collected from the Community Center, no receipts or debtors' invoices were provided. Therefore, it was not possible to verify all income recorded on the spreadsheet received from the Community Centre.
- 4.4.3 I examined all the income spreadsheet for the year and confirmed that all income recorded had been banked. From the spreadsheet there was a cash balance of £82.49 although I understand from the Current Clerk that £62.54 was handed over.

4.4.4. Vat to be reclaimed is recorded on the Receipts and Payment spreadsheet. Following last year audit report backdated claims have been submitted.

4.4.5. There are 2 bank accounts held by the Council:

- i. Current account
- ii. Savings account.

4.4.6. I agreed the reconciliation of the bank statements throughout the year and at the end of the year.

4.5. Accounting Records

4.5.1. All Receipts and Payments are recorded on a spreadsheet (Cash Book) and the Clerk carried out monthly bank reconciliations.

4.6. Security/Assets

4.6.1. An Inventory is held of all assets and this is formally approved by the Council when the statement of accounts are approved.

4.7. Debtors

4.7.1. There are no accounts raised for debts as Debtors either pay by cash or a cheque.

4.8. Budgetary Control

4.8.1. The precept requirement and budget forecasts were initially discussed at the Extraordinary Parish Council Committee on 21st December 2020 meeting, with approval being made at the 11th January 2021 meeting.

4.8.2. At each Council meeting Members are provided with details of the payments, with the financial position monitored when the precept and next year's budgets are determined. Any priorities/projects for the coming financial year are discussed during the budget setting process.

4.8.3. No budget monitoring appears to be carried out until the budget setting process although the Clerk does keep details of the budgetary position on a spreadsheet.

5. Conclusions

5.1. I understand (like other Councils) that some internal controls could not be followed due to the Pandemic but the Council has attempted to oversee the systems of the Council, and these will be carried out for 2021/22.

5.2. I cannot confirm that all income from the Community Centre has been collected.

6. Recommendations

6.1. Recommendations for this audit are to ensure that:

- All invoices should be signed by the Clerk and two Councilor's to confirm payment
- Bank statements should be initialed by the Chair to confirm that the bank reconciliation is correct.
- Budget monitoring reports should be submitted to Members at least quarterly.

6.2. If the Council is to continue to collect income from the Community Centre, then an improved system needs to be implemented so that the Council can have assurances that all income is collected and paid in with proper audit trails. I would like the Council to consider:

6.2.1. A Booking system be introduced where hirers complete booking forms for the dates of hire with the form showing any terms and conditions of the booking.
A proper charges list showing what can be hired and their charges
For regular bookings there can be numbered invoices sent out after a month
For Casual bookings they should pay a deposit when booking then are invoiced

Where possible cash should not be taken on the day, if the booking only requires payment on the day then receipts should be given along with a list of all participants
Community Centre should complete diary of all bookings.



Gordon Fletcher (C.M.I.I.A.)
Internal Auditor
Date: 2nd July 2021